

January 13, 2014

Dear Members of the House Criminal Justice Committee:

Thank you for your consideration of this letter concerning HB 5108. My colleague Dr. Marianne Jennings, Professor of Legal and Ethical Studies, and I have been publishing papers on secondary ticket markets since 1989. The article, "The Eight Principles of the Microeconomic and Regulatory Future of Ticket Scalping, Ticket Brokers, and Secondary Ticket Markets," in *The Journal of Law and Commerce*, Spring 2010, pp. 115-209, provides a detailed summary of our research. The purpose of this letter is to strongly support the repeal of price controls found in the 1933 Michigan statute.

Dr. Jennings and I detest fraud and deception in the ticket marketplace, favor licensing of ticket brokers, and abhor the use of BOTS. But throughout our writings we have adamantly opposed price controls of any kind, whether they try to prevent resale above or below the printed face value on the ticket.

As a general principle, the evidence is overwhelming that price and wages controls always do more harm than good wherever they are found. In 1945, F.A. Hayek wrote a famous article, "The Use of Knowledge in Society," condemning the detrimental effects of legal price controls and subsequently labelling such attempts as "fatal conceit."

There is nothing sacrosanct about the printed face value on a ticket. It is similar to the par value of a stock being offered in an IPO. It is simply a starting point determined by one or a few individuals. Demand and supply will then take over. Indeed, we have found that promoters often underprice their ticket for a variety of reasons, leading to high demand, long lines, opportunities for arbitragers, and various legislative attempts with significant costs trying to be "fair" to those who do not want to pay the higher market price. Similar costs arise with legislative attempts trying to prevent tickets from being sold below printed face value. Can you image the legal problems with telling auto brokers in Michigan that they can only sell their cars at a price stipulated by one or a few individuals?

Many states, including Arizona, do not have price controls on tickets, and the general public is quite accepting. Voluntary exchange benefits both parties, and those individuals willing to pay the going market price are happy to get in. They consider the time savings from buying from brokers as worthy of the monetary expense.

As Dr. Jennings and I have shown, there are much better ways than price controls to help low income consumers attend events if promoters, owners, and artists want to appeal to this segment of their fan base. As we have also shown, ticket scalping has been around since the time of Shakespeare and cannot be eliminated unless harsh draconian measures are adopted. Moreover, ticket brokers often sell tickets below face value just before for many events, thereby creating further benefits for sizable numbers of consumers.

It is certainly appealing for politicians to reach out to the masses when stories arise about the high prices that are being charged for some events. It is also appealing to listen to powerful promoters and owners argue about fairness even when they are operating from their own vested interests. But in the end price-control legislation only causes more social harm than good. The best solution is to prevent fraud and deception and then let the wondrous nature of free markets take over in the name of social welfare.

Please feel free to contact me at Stephen.happel@asu.edu or 480-272-1205 if you wish to discuss any of my comments further.

Sincerely,
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